

Chapter No. 451  
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***SENATE BILL NO. 2732***

Originated in Senate *Hermi Hughes* Secretary

SENATE BILL NO. 2732

AN ACT TO AMEND SECTION 83-19-51, MISSISSIPPI CODE OF 1972, TO REVISE THE LIMITATIONS ON THE INVESTMENT OF FUNDS BY DOMESTIC INSURANCE COMPANIES; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

**SECTION 1.** Section 83-19-51, Mississippi Code of 1972, is amended as follows:

83-19-51. (1) A domestic insurance company may invest its capital, surplus, and other funds, or certain parts thereof, in the following:

(a) Bonds or other evidence of indebtedness of the United States, of any state of the United States, of the Dominion of Canada, or of any province thereof.

(b) Bonds or other evidence of indebtedness of any county, city, town, village, school district, municipal district, or other civil district within the United States or the Dominion of Canada.

(c) Bonds or notes secured by mortgages or deeds of trust upon unencumbered real estate in the United States or Dominion of Canada worth at least thirty-three and one-third percent (33-1/3%) more than the amount loaned thereon, and may also loan upon the security of improved unencumbered real property in any state, provided the security be eligible for insurance and be insured under provisions of the National Housing Act and any amendments thereto. Where improvements on the land constitute a part of the value on which the loan is made, the improvements shall be insured against fire and tornado for the benefit of the mortgagee, in an amount not less than the difference between

seventy-five percent (75%) of the value of the land and the amount of the loan. For the purposes of this paragraph (c), real estate shall not be deemed to be encumbered within the meaning of this section by reason of the existence of taxes or assessments that are not delinquent, instruments creating or reserving mineral, oil, or timber rights, rights-of-way, joint driveways, sewer rights, rights in walls, or other comparable or similar instruments, rights, restrictions, and covenants, nor by reason of building restrictions or restrictive covenants, nor when such real estate is subject to lease in whole or in part whereby rents or profits are reserved to the owner, provided such lease and the notes for rent given thereunder be assigned by the lessor to the company.

(d) Bonds, notes, or other evidences of indebtedness which are secured by mortgages, security deeds, vendor's liens, or deeds of trust upon leasehold estates having an unexpired term of twenty-five (25) years or longer in improved unencumbered real estate in the United States worth at least thirty-three and one-third percent (33-1/3%) more than the amount loaned thereon. For the purposes of this paragraph (d), the real estate on which such leasehold estate exists shall not be deemed to be encumbered within the meaning of this section by reason of the existence of taxes or assessments that are not delinquent, instruments creating or reserving mineral, oil, or timber rights, rights-of-way, joint driveways, sewer rights, rights in walls, or other comparable or similar instruments, rights, restrictions, and covenants, nor by reason of building restrictions or restrictive covenants.

(e) In bankers' acceptances and bills of exchange of the kinds and maturities made eligible by law for rediscount with Federal Reserve banks, provided that the same are accepted by a bank or trust company incorporated under the laws of the United States, of this commonwealth, or by any other bank or trust company which is a member of the Federal Reserve system. However,



not more than ten percent (10%) of the admitted assets shall be so invested.

(f) Stock in Federal Home Loan Bank, or bonds, debentures, notes, or other evidences of indebtedness, or the preferred or guaranteed stock or shares of any solvent institution created or existing under the laws of the United States, or any state thereof \* \* \*. No life insurance company shall invest in its own stock and may not invest more than ten percent (10%) of its total assets in the preferred or guaranteed stock or bonds of any one (1) corporation, as above described.

(g) Bonds, debentures, notes or other evidences of indebtedness, or the preferred or guaranteed stock or shares issued by or guaranteed by any solvent institution domiciled outside the United States or created under the laws of a nation other than the United States; however, no insurance company shall invest more than twenty percent (20%) of its total assets in foreign investments as described herein. No life insurance company shall invest more than ten percent (10%) of its total assets in the evidences of indebtedness of any one (1) corporation, as above described. After notice and hearing, and for good cause shown, the commissioner shall have the authority to disallow any investment by a domestic insurance company in any institution located in a foreign nation.

(h) Loans upon the pledge of any of the securities herein authorized.

(i) In adequately secured equipment trust certificates or other adequately secured instruments evidencing an interest in equipment wholly or partly within the United States, and a right to receive determined portions or rental, purchase or other fixed obligatory payments for the use or purchase of such equipment, provided that not more than five percent (5%) of its total assets be so invested.

(j) The common capital stock of any bank or trust company which is a member of the Federal Deposit Insurance Corporation and has earned no less than five percent (5%) on its total capital accounts for each of the preceding three (3) years, not to exceed, however, ten percent (10%) of the actually issued and outstanding common capital stock of any one (1) such bank or trust company; or a building and loan association which is a member of the Federal Savings and Loan Insurance Association and has earned no less than five percent (5%) on its total capital accounts for each of the preceding three (3) years, not to exceed, however, ten percent (10%) of the actually issued and outstanding common capital stock of any one (1) such building and loan association; provided that not more than five percent (5%) of the assets of such domestic company shall be so invested at any time in common stock of either banks or trust companies, or building and loan associations, or in an aggregate of the two (2).

Provided, however, no domestic insurance company may acquire common stock in any bank or building and loan association in this state when such acquisition will cause the aggregate of such stock held by any domestic insurance company or companies to exceed fifteen percent (15%) of the common stock of such bank or building and loan association.

(k) A life insurance company may also purchase for its own benefit any policy of life insurance or other obligation of the company and claims of the holders thereof, and may lend to the holders of its life insurance policies sums not exceeding in any case the reserve value of the policy at the time the loan is made and, for the payment of any such loan, the policy and all profits thereon shall be pledged.

(l) A company doing business in a foreign country may invest the funds required to meet its obligations in such country and, in conformity to the laws thereof, in the same kinds of



securities in such foreign country that such company is allowed by law to invest in the United States.

(m) Bonds or other evidences of indebtedness of the Inter-American Development Bank.

(n) Cash or deposits in checking or savings accounts, under certificates of deposit or in any other form, or other certificates or evidence of indebtedness from solvent banks and trust companies and in savings accounts, certificates of deposit or similar certificates or evidences of deposits in solvent savings and loan associations and building and loan associations.

(o) Construction loans, repurchase agreement transactions, standby mortgage loan commitments, electronic, computer or data processing equipment investments, financial risk limiting and balancing transactions, including put and call options purchased solely for legitimate financial futures hedging, nonspeculative purposes if these transactions are traded upon a contract market designated and regulated by a federal agency.

(p) Bonds or other evidences of indebtedness of the African Development Bank.

(q) Any other investment expressly authorized by law.

(2) Any domestic company may invest an amount not to exceed ten percent (10%) of its total admitted assets and to further increase such authority by an additional four percent (4%) provided such four percent (4%) investments are made in the State of Mississippi without regard to the limitations of any other subsection of this section or of any other act or acts regulating or governing the investments of domestic companies.

(3) Any domestic company may invest an amount not to exceed ten percent (10%) of its admitted assets in common shares of solvent corporations incorporated under the laws of any of the states among the United States of America or created under the laws of a nation other than the United States without regard to the restrictions in, and notwithstanding the provisions of, any

other subsection of this section or of any other act or acts regulating or governing the investments of domestic companies \* \* \*. No life insurance company shall invest more than five percent (5%) of its admitted assets in common shares of any one (1) corporation as hereinbefore provided. After notice and hearing, and for good cause shown, the commissioner shall have the authority to disallow any investment by a domestic insurance company in any institution located in a foreign nation.

Conflict of interest. Provided, however, no domestic insurance company shall under this section acquire common stock in any company where the officers or directors of the insurance company, individually or collectively, hold an interest in excess of ten percent (10%) of the company in which the common stock is acquired. For the purpose of this limitation, interest is defined as actual ownership, ownership in the name of a trustee, ownership in the name of a relative within the third degree, ownership in the name of an owned or controlled corporation or business, or ownership in the form of an option.

Provided further, no officer or director of the insurance company shall either directly or indirectly derive any profit or revenue from stock purchases under the above subsection, either in the form of commissions, brokerage, or the outright sale of shares of stock to the insurance company.

(4) No amount at any time shall be loaned from any funds or investments described herein to any stockholder, officer or director of the company; provided, however, this subsection shall not prohibit any person from obtaining a loan or exercising other contractual rights pursuant to the provisions of a policy or contract for insurance to which the person is a party or otherwise has the legal right to exercise such contractual rights.

(5) Notwithstanding the provisions of this section, the commissioner may, after notice and hearing, order a company to limit or withdraw from certain investments, or discontinue certain

investment practices, to the extent that the commissioner finds that such investments or investment practices endanger the solvency of the company.

(6) No loan or investment, except loans on the security of life insurance policies, shall be made by any such company unless the same shall have been authorized by the board of directors or by a committee thereof charged with the duty of supervising loans or investments, and no company shall enter into any agreement to withhold from sale any of its securities or property; but the disposition of its assets shall at all times be within the control of the company.

Nothing in this law shall prohibit a company from accepting in good faith, to protect its interest, securities or property other than herein referred to, in payment of or to secure debts due or to become due the company.

(7) Nothing in this section shall be construed as affecting any investment existing on April 27, 1966; and this section shall not repeal Sections 43-33-301 through 43-33-307 of the Mississippi Code of 1972.

**SECTION 2.** This act shall take effect and be in force from and after its passage.

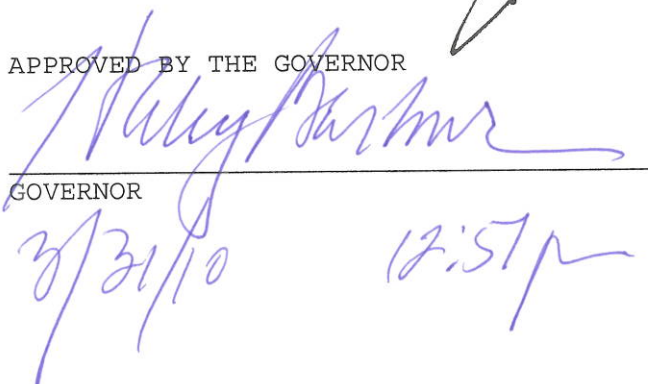
PASSED BY THE SENATE  
February 3, 2010

  
PRESIDENT OF THE SENATE

PASSED BY THE HOUSE OF REPRESENTATIVES  
February 25, 2010

  
SPEAKER OF THE HOUSE OF REPRESENTATIVES

APPROVED BY THE GOVERNOR

  
GOVERNOR  
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